NOMINATIONS—DEPARTMENT OF COMMERCE

HEARINGS

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF

MAY 26, 1982

DR. D. BRUCE MERRIFIELD, TO BE ASSISTANT SECRETARY OF COMMERCE FOR PRODUCTIVITY, TECHNOLOGY AND INNOVATION

MAY 27, 1982

GUY W. FISKE, TO BE DEPUTY SECRETARY, DEPARTMENT OF COMMERCE

JULY 29, 1982

ROBERT G. DEDERICK, TO BE UNDERSECRETARY OF COMMERCE FOR ECONOMIC AFFAIRS

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NOMINATIONS—DEPARTMENT OF COMMERCE

WEDNESDAY, MAY 26, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 9:04 a.m., in room 235, Russell Senate Office Building, Hon. Harrison Schmitt, presiding.

Staff members assigned to this hearing: Anne Gavaghan, Staff Director and Steve Flajser, minority professional staff member.

OPENING STATEMENT BY SENATOR SCHMITT

Senator SCHMITT. Good morning. The hearing will come to order. I want to welcome everyone to this particular hearing of the Committee on Commerce, Science, and Transportation on the nomination of Dr. D. Bruce Merrifield to be Assistant Secretary of Commerce for Productivity, Technology, and Innovation—a mighty big plate.

This position is a focal point in the Department of Commerce and a key administration position for increasing industrial productivity, for enhancing international competitiveness of U.S. industries, for developing policies to assure supplies of strategic resources, and for encouraging the use of scientific and technical data generated by the Federal Government.

This office has important roles in implementing laws developed and reported by this committee and enacted by the Congress. In 1980 the Commerce Committee reported and the Congress enacted the National Materials and Minerals Policy Research and Development Act, Public Law 96-479. This act is intended to reduce U.S. vulnerability to disruptions in essential strategic materials.

The Office of Strategic Resources under this Assistant Secretary position will be conducting a number of studies and developing policies required by the act. This issue is of outstanding concern to me and other members of the committee as it is one of the most important and least recognized and least dealt with threats facing this Nation.

On June 23, my Subcommittee on Science, Technology, and Space will hold oversight hearings on the President's recently submitted national materials and minerals program plan and report to Congress. I must say that we have some concerns not over what was covered in the report but what was not.

The Assistant Secretary is responsible for activities to improve industrial productivity and to encourage private sector technology

development. It will be administering departmental responsibilities under the Stevenson-Wydler Technology Innovation Act of 1980, Public Law 96-480, developed by this committee in an earlier Congress.

I am also pleased that S. 1657, the Uniform Science and Technology Research and Development Utilization Act, has been reported by this committee. It is too bad it has that name, but it helps jurisdiction. It really is a patent policy bill. A very similar bill has been reported in the House by the Committee on Science and Technology and is working its way through other jurisdictions in that body.

The purpose of S. 1657, which I introduced, is to insure that the results of the Government-funded research are transferred into the marketplace—a major objective of this Assistant Secretary as well. If the bill is enacted into law in this Congress, as I expect, the Assistant Secretary will have significant responsibilities to insure more extensive private sector use of Government-owned patents and licenses.

The Assistant Secretary for Productivity, Technology, and Innovation is also responsible for technical information services and other activities of interest to the committee and about which we will have a few questions.

I understand all of the financial reports and the FBI investigation are complete and that no questions have been raised.

I am pleased now to turn to the distinguished House Member, the gentleman from Connecticut, Congressman Stewart McKinney, a Republican of some note and, I presume, notoriety in his own district and State, and he will introduce Dr. Merrifield.

Congressman McKinney.

STATEMENT OF HON. STEWART McKINNEY, U.S. REPRESENTATIVE FROM CONNECTICUT

Mr. McKINNEY. Thank you, Mr. Chairman. I think the question is what kind of notoriety, but we will leave that aside until after November.

Mr. Chairman, I cannot tell you how pleased I am to be here to introduce to you Dr. Bruce Merrifield, Jr.—not Junior. That is his son.

Senator SCHMITT. You can introduce him too.

Mr. McKINNEY. This is a subject near and dear to my heart and in your opening statement you touched on most of it. I am ranking member of the economic stabilization part of the Banking Committee in the House and, as you probably know, we have been writing up a new Defense Production Act amendment called the Industrial Revitalization Act.

One of the things that has become almost pathologically true in our hearings—and I should say that we have had 24 days and 116 witness in hearings—on strategic minerals productivity and our defense-industrial base, and they are in extremely bad shape.

I was particularly honored to go to a seminar in Hershey, Pa., with Mr. Morito of Sony, Wolfgang Selag of Seimans, the chairmen of the board of Westinghouse and General Motors. In discussions that ranged for hours and hours over 2 days in what I might call a bucolic countryside, I became doubly aware of the fact that the

United States is on a downhill and escalating slide in the productivity status of our work, in the age of our equipment and the efficiency of our plants, in the handling of inventory and the properties of credit, and that we are very much in danger of becoming a second grade industrial power in the Western World.

I would suggest that Bruce in his job can play a very important part in shifting this slide. I happen to be a very close and dear personal friend of his chief, the Secretary of Commerce, and I know that Mr. Baldrige is committed to changing this route.

The Economic Stabilization Subcommittee is charged with looking into and overseeing productivity within the United States. We will be having some extensive hearings on the subject. We have been very active in the productivity center and other aspects of the situation and I know that Dr. Merrifield will add to our deliberations.

Dr. Merrifield attended Princeton University and graduated from it. I attended it and did not graduate from it. I graduated from Yale. But I will not hold that against him. He has a doctorate——

Senator SCHMITT. Gee, you have come a long way from having graduated from Yale.

Mr. MCKINNEY. Watch out for the Northeastern Establishment.

Senator SCHMITT. I did for 6 years. That is why I am where I am today. I thought, my God, it is going downhill fast. I had better run for office.

Mr. MCKINNEY. The length and breadth of his experience you have in front of you. He is an author of numerous publications—pages of them, here. He has three children about the age of mine, so it is difficult to call them children any more. I guess offspring is the word.

He has worked for a company that has become a major moving force within my district, the Continental Group. I can say this, that I have inherited in 10 years 32 Fortune 500 corporations. The Continental Group is one of the newest to inherit in full and they have been a moving force both in social innovation and in taking part in the district's affairs, which is not what you always expect from a large corporate entity moving into a small city.

I could not be more delighted to introduce you to him. I trust and I know you will confirm him and I think he will do an excellent job. Certainly his history, his personality, and his background show that to me.

Thank you, very much.

Senator SCHMITT. Thank you, Congressman. We appreciate your presence this morning. I know that you all have many things going on on the other side. I would like to have you stay around if you can.

Mr. MCKINNEY. Well, I think we are going to find out what today's budget menu is, Mr. Chairman.

Senator SCHMITT. All right. Dr. Merrifield, would you come forward, please? If you have an opening statement you would like to make, please feel free to do so.

STATEMENT OF DR. D. BRUCE MERRIFIELD

Dr. MERRIFIELD. Thank you, Mr. Chairman. I certainly would like to thank my Congressman, Stew McKinney, for his very kind words of introduction.

I am honored, Mr. Chairman, that the President has nominated me to be Assistant Secretary for Productivity, Technology, and Innovation in the Department of Commerce.

Senator SCHMITT. By the way, we did not know when we agreed to have this hearing that you had friends from Yale, so you are starting behind.

Dr. MERRIFIELD. Well, we do not live very far from New Haven.

If confirmed by the Senate, I look upon this post as one of the most challenging assignments I have ever undertaken in my career as a scientist and businessman. Indeed, it is a melding of these two disciplines that is at the heart of maintaining and enhancing the ability of this country to be a leader in our technological age.

Having been involved in both science and industry, I feel that I can serve as a catalyst to achieve greater productivity and innovation in our business community that you as a scientist and a Senator and chairman of the Subcommittee on Science, Technology, and Space have fought so long for.

If confirmed, I look forward to working with you and other members of the committee to accomplish our mutual goals. I am ready to answer any questions you might have for me.

[The biographical sketch follows:]

BIOGRAPHICAL SKETCH OF D. BRUCE MERRIFIELD

Address: 68 Arrowhead Way, Darien, Conn. 06820.

Date and place of birth: June 13, 1921, Chicago.

Marital status: Married to Paula Sorenson.

Names and ages of children: D. Bruce Merrifield, Jr., age 31; Robert S. Merrifield, age 29; Marshall Merrifield, age 22.

Education: Princeton University, 1938–42, A.B., chemistry, 1942; University of Chicago, 1946–50, M.S., chemistry, 1948; Ph. D., chemistry, 1950.

Employment record: Senior Research Chemist, Monsanto, St. Louis, 1950–53; Group Leader, Monsanto, Charleston, W. Va., 1953–56; Manager, Polymer Research, Texas U.S. Chemical Co., New Jersey, 1956–63; Director, Research & Dev., Petrolite, St. Louis, 1963–68; V.P. Technology, Venture Management, Hodker Chemical Co., Buffalo, 1963–73; and Houston 1974–77; V. P. Technology, Venture Management, Continental Group, Stanford, Conn., 1977–81.

Government experience: Chairman, Board of Education, Harding Township, N.J., 1965–68; Member, Advisory Board Binational Research and Development Foundation with Israel; Science Advisor to Jordanian Government; Member, Department of Commerce Trade Mission to China.

Membership: Industrial Research Institute, President Elect; IRI Research Corporation, Chairman; American Management Association R. & D. Council, Chairman; Director of Industrial Research; American Management Association, Trustee; Anglican Council, North American and Carribean, Chairman; Episcopal Church, Executive Council Trinity Church, Wall Street, Vestryman; Sigma Xi Honorary Society; American Association for the Advancement of Science, Fellow; Institute of Chemists, Fellow; New York Academy of Science; American Chemical Society, Princeton University, Alumni Association, Chairman; Nichols School (Buffalo), John Burroughs, (St. Louis) Trustee.

Political affiliations: Danforth Campaigns in Missouri, Reagan Campaign.

Scholarships, awards, honors: Princeton University Scholarship, 4 years; University of Chicago, Fellowship, 2 years; Sigma Xi Honorary Society; Institute of Chemists (Fellow); American Association for the Advancement of Science (Fellow); New York Academy of Science; Men of Science, Who's Who.

Publications: (See attached.)

Patents in fields of heart disease drugs, antioxidants, vulcanizing agents, stereosiefic polimerzation catalysts, PVC stablizers, corrosion inhibitors; Publications in Electrochemistry, Polymer Science, Pharmaceuticals and Surface Chemistry; Publications in R. & D. Management, Strategic Planning and New Venture Administration.

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D. Bruce Merrifield, "Strategic Analysis, Selection and Management of R. & D. Projects," AMACOM (American Management Association Briefing) 1978.

D. Bruce Merrifield, "Strategic Analysis of R. & D. Ventures," J. Am. Marketing Association, June 6, 1979.

D. Bruce Merrifield, "Strategic Planning and R. & D. Productivity" in a Decade of Change," New York Univ. Conference, Spring 1981 (To be published in conference proceedings).

D. Bruce Merrifield, "Incentives for Strategic Planning," University of Connecticut Centennial Symposium, Fall 1981 (To be published).

D. Bruce Merrifield, "How to Select Successful R. & D. Projects," Management Review, December 1978, pp. 25–39.

D. Bruce Merrifield, "Nurturing the Innovator," Research Management, November 1979, pp. 12–14.

D. Bruce Merrifield, "Marketing Innovation and Strategic Planning, Conference Board, October 1981 (to be published).

D. Bruce Merrifield, "Selecting Projects for Commercial Success," Research Management, November 1981.

PATENTS

"Synergistic Rubber Stabilizers." Harold M. Leeper and Dudley B. Merrifield (to Monsanto Chemical Company), U.S. 2,930,777, March 29, 1960; C.A. 54, 19737i, 1960.

"Rubber Compositions Containing N-Nitroso-N-N'-Di(Aliphatic) Acrylene-diamines." Dudley B. Merrifield (to Monsanto Chemical Company), U.S. 2,901,459, August 25, 1959; C.A. 54, 6173i, 1960.

"Stabilization of Butyl Rubber with Phosphorothioates." Rutherford B. Hill and Dudley B. Merrifield (to Monsanto Chemical Company), U.S. 2,906,731, September 29, 1959; C.A. 54, 8136d, 1950.

"Metallic Compounds as Supplementary Antiozonants for Unsaturated Elastomers." Dudley B. Merrifield (to Monsanto Chemical Company), U.S. 2,954,356, September 27, 1960; C.A. 55, 4029c, 1961.

"Stabilized Diene Rubbers," Walter Nudenberg and Dudley B. Merrifield (to Texas-U.S. Chemical Company), U.S. 3,080,338, March 5, 1963; C.A. 58, 1427h, 1963.

"Catalyst for the Polymerization of Dienes." Walter Nudenberg, Dudley B. Merrifield and Edward A. Delaney (to Texas-U.S. Chemical Company) Belgian 614,106, March 15, 1962; C.A. 57, 13948b, 1962.

"Diene Polymerization Process and Catalyst Therefor." Walter Nudenberg, Dudley B. Merrifield and Edward A. Delaney (to Texas-U.S. Chemical Company), U.S. 3,554,923, January 12, 1971.

"Diene Polymerization Process and Catalyst Therefor." Walter Nudenberg, Dudley B. Merrifield and Edward A. Delaney (to Texas-U.S. Chemical Company), U.S. 3,554,998, January 12, 1971.

Sis Patents pending, covering High Energy Density Power Cells (batteries), Antiviral drugs, and drugs for curing alcoholism and other addictive diseases.

Senator SCHMITT. Thank you, Doctor. The organization and responsibilities of your office will be considerably different from those of your predecessor in the previous administration. Would you briefly itemize what you see as your primary responsibilities?

Dr. MERRIFIELD. Basically there are three areas of administration. One is in the area of productivity, which includes an emphasis on cooperative R. & D. Second is business analysis, which will give us the data base that we need to critique the situation that it is necessary to improve in each of these business areas. The third is the policy implementation and coordination process, which involves strategic resources, the patent function, the metric function, and other things of this sort.

I would be organizing around those three initiatives, although they integrate very much within themselves as well.

Senator SCHMITT. Have you set any specific quantitative or qualitative goals to try to accomplish over some period of time?

Dr. MERRIFIELD. I am developing those at the present time and I intend to be very proactive in the pursuit of each of these. I do not believe in long, massive studies. I believe in activity and I think that there are a lot of opportunities for making contributions in these areas.

Senator SCHMITT. Have you examined as yet the responsibilities of your office when the energy research and development activities of the Federal Government are transferred into the Department of Commerce?

Dr. MERRIFIELD. Yes, I have been looking into those fairly vigorously. Of course, there are a tremendous number of these. There are something like 20 Government bodies that are involved with strategic resources and there are a dozen or more activities that are overlapping in these areas.

Some of the ones that we will be trying to coordinate and implement will be those involved in monitoring the trends of resource availability, diversifying the source—that is, the risk distribution factor involved. Other areas include conservation, recycling, regulatory relief, alternatives to some of the other resources that we do have, such as the deep sea mining areas, and release of Government-owned land.

Of course, the strategic stockpile is a critical thing. This is the first time in 20 years that anybody has done anything about it, and it is a timely thing. Some elements of our stockpile are obsolete, and in other areas it is totally inadequate. There are emergency allocation procedures in the case of emergencies, export controls that could possibly be important, and of course, last but not least is the R. & D. effort that can generate alternative solutions to the use of some of these materials.

This is a much more advanced area of activity than I think a lot of people have realized, and that would be one of the things where I would focus considerable effort.

Senator SCHMITT. My question that prompted that answer had to do with the Department of Energy and its functions that will be incorporated into the Department of Commerce. I liked your answer, but it was not the question that I asked.

Dr. MERRIFIELD. Sorry about that. As far as the Department of Energy goes, I have not really had a chance to get into that very

much, although I am very much in tune with almost all aspects of energy resources and activities.

Senator SCHMITT. Would you get back with the committee for our record with a brief statement on the role that the Department envisions for your office relative to functions being transferred to it from the Department of Energy?

Dr. MERRIFIELD. I am under the impression that at the present time I would have no responsibility.

Senator SCHMITT. No change in your responsibilities as a result of that transfer?

Dr. MERRIFIELD. As far as I know that is true.

Senator SCHMITT. If you wish to revise that, feel free to do so. I find that a little bit surprising when I see the title that you are given as the Assistant Secretary for Productivity, Technology, and Innovation.

Dr. MERRIFIELD. As far as I am concerned, if there are areas where I can contribute in that process I certainly will.

[The following information was subsequently received for the record:]

IMPLICATIONS OF THE PRESIDENT'S PROPOSED REORGANIZATION OF FEDERAL ENERGY FUNCTIONS FOR THE ACTIVITIES OF THE ASSISTANT SECRETARY FOR PRODUCTIVITY, TECHNOLOGY, AND INNOVATION

The President's proposals for reorganizing Federal energy functions are contained in a bill cited as the Federal Energy Reorganization Act of 1982 (FERA). If enacted as submitted, FERA would not formally transfer any energy-related functions or authorities to the Assistant Secretary for Productivity, Technology, and Innovation.

FERA would transfer responsibility for managing the Energy Information Administration (to be relabelled the Bureau of Energy Information) to the Assistant Secretary for Economic Affairs. Legislation is pending to elevate this position to that of Under Secretary for Economic Affairs. The consequence would be that the Assistant Secretary for Productivity, Technology, and Innovation and the Bureau of Energy Information would be reporting to the same individual, along with the Department of Commerce's other principal statistical and analytical units, namely Bureau of Census, Bureau of Economic Analysis, Bureau of Industrial Economics, and Office of the Chief Economist. In an organizational sense, therefore, FERA would consolidate under single leadership the Department's statistical, macro-economic and micro-economic analysis, industry analysis, and technology and productivity analysis activities, expanded, of course, to include attention along all these lines to energy matters.

Even though FERA would not formally assign new duties to the Assistant Secretary for Productivity, Technology, and Innovation, it is envisaged that this official, under existing responsibilities, would direct his activities at encouraging productivity and technology advance within the energy sector. For example, the aims of Stevenson-Wydler are as applicable to the energy sector as to all other industrial sectors.

Further, one of the goals of the President's proposed energy reorganization is to enhance the private sector commercialization of new energy technologies. This goal is totally consistent with the responsibilities of the Assistant Secretary for Productivity, Technology, and Innovation.

In short, in a practical sense we anticipate that the Assistant Secretary for Productivity, Technology, and Innovation will be involved in fostering technical advancement within the energy sector notwithstanding the fact that this involvement will not be mandated by law.

Senator SCHMITT. Are you familiar with the bill that I have introduced and will soon be heard in the Armed Services Committee dealing with an independent stockpile commission?

Dr. MERRIFIELD. I am just aware of it. I am really not up to speed on it.

Senator SCHMITT. If you have a chance to look at that, we would appreciate having your comments generally in as much detail as you desire, but we would like to have your thoughts relative to that approach.

Dr. MERRIFIELD. All right.

[The following information was subsequently received for the record:]

The Department of Commerce and the Administration are very concerned about the state of the strategic stockpile and have initiated improvement programs as outlined in the President's Materials and Minerals Program Plan. The Strategic Stockpile Reform Act of 1981 (S. 1982), identifies the need to update the quality and form of stockpiled materials in order to meet the needs of end users. We believe that these improvements can be accomplished through better planning and management practices on the part of FEMA and GSA, but we would prefer not to establish an additional bureaucracy such as an independent stockpile commission. We also believe that use of the stockpile should be limited to supplying national security requirements. DOC will be working with other agencies to minimize any market disruptions which might arise from our stockpile restructuring program and to institute a better management system for sampling, rotating, and upgrading stockpiled materials.

Senator SCHMITT. The stockpile has been the subject of considerable political manipulation for the last 20 years and, as a matter of fact, a recent analysis done by the Republican Policy Committee of the Senate indicates—and I think quite factually—that had we done nothing in the last 20 years we would be $14 billion richer and be closer to our stockpile goals.

You mentioned trying to stimulate research and development in critical fields within the private sector and I presume you mean more so of stimulating research and technology development and improving the base for productivity enhancement.

What fields do you see most important in this regard? How will your office function in establishing these?

Dr. MERRIFIELD. A lot of it will depend on the interest, concern and anxiety in the private sector—more people are hurting in certain areas than in others. Basically the idea is to put together groups of companies for which tax incentives now exist, in order to do work that none of the individual companies probably would be able to undertake themselves because of their limited cash flow or risk analysis.

There is quite a lot of interest in the companies that I have talked to, particularly in areas of electronics, materials science, engineering, and manufacturing technology, including robotics. Transportation is another area that I think is a very important one.

What I would like to do is to gather people, companies—and I know all these people—together and help them to define what the strategic objectives are and get them started in the work that needs to be done to reestablish our preeminence, particularly in these areas that have been badly impacted.

Senator SCHMITT. Would you supply for our record a priority listing of areas that you think you will concentrate on first and the degree to which you have had indications of industry interest in participating?

Dr. MERRIFIELD. I will. The interest is there. There is no question about that. There have been two things that I have found. One is

that almost no companies are aware that this is a possibility. Second, they automatically feel that there is a problem with Justice and antitrust concerns.

[The following information was subsequently received for the record:]

I have not attempted to prioritize the specific technologies in terms of their potential economic impact or the number of firms and their resources that might be committed to cooperative R&D ventures. I wish to be responsive to private sector priorities and their perception of the technological opportunities that need to be pursued on a cooperative basis. I can say, however, that interest has been expressed to me by one or more firms in the following areas: materials sciences (e.g. composites, powder metallurgy), biotechnology (e.g. for pharmaceutical, energy and agricultural applications), electronics (e.g. microelectronics), flexible manufacturing (e.g. robots, laser use), and transportation (e.g. engines, structural components). I intend to pursue such expressed interest in these and perhaps other areas.

Senator SCHMITT. What are you going to do about that?

Dr. MERRIFIELD. I am beginning to work with our legal people to identify the models that are theoretically possible which would conform to the antitrust laws and then I would like to work those through with Justice to be sure that I have not missed anything, so that I can take to these consortia the models that would be most likely to be free of concern.

But there is a lot of apprehension in the private sector about this area.

Senator SCHMITT. Have you talked to NASA legal counsel to see what the basis for their cooperative research is?

Dr. MERRIFIELD. I have not, but that is a good thought.

Senator SCHMITT. You ought to do that. That is the best place to start. They already do it. They have the aeronautics industry working together under the NASA umbrella and I think you could save yourself a lot of effort if you did see how that is done. That presumably covers all of it.

Dr. MERRIFIELD. That is an excellent model. Thank you.

Senator SCHMITT. I would go back in time a little bit and see how the pre-NASA National Advisory Committee on Aeronautics was organized and worked, because it, again, could be a model for working in other industries. There is no sense of reinventing the wheel if it has worked in the past in an industry of comparable technological development in some of the areas you have mentioned.

The technology development effort in agriculture through the years may be a limited but no less significant application and another good model.

Dr. MERRIFIELD. That is right.

Senator SCHMITT. But it is probably useful for other purposes such as energy extension-type activities.

Are you familiar with the Institute of Computer Sciences and Technology in Commerce?

Dr. MERRIFIELD. Somewhat. It does not report to me. It reports to the National Bureau of Standards and I am aware of it, but not very familiar with its operations.

Senator SCHMITT. Has the Secretary discussed with you the possibilities of transferring ICST from NBS into your office?

Dr. MERRIFIELD. That has not been discussed with me, no.

Senator SCHMITT. Would you supply for the record your thoughts on that? I am sure there are some in Commerce who can bring you

up to date quickly on our concerns for this. It has seemed to be a stepchild in the NBS, but when you look at the role that information technology is going to play and does play in this country and in the world, it would seem to be a potentially important focus for some of your activities.

Dr. MERRIFIELD. I certainly concur that this is an area of very considerable synergism with the things that I would do. Whether or not that synergism would be better if it were within my scope or reporting to NBS or somewhere else, I am not sure.

[The following information was subsequently received for the record:]

The Department of Commerce is carefully reviewing the administrative, legal, budget, and other considerations on this possibility. I would welcome the transfer of the ICST to OPTI, should the Department make that decision, as it would strongly enhance the attainment of my objectives in this area.

Senator SCHMITT. Well, it isn't doing very well in NBS and there are people in Commerce that can bring you up to speed on that. Unfortunately, there are some in the House that would like to transfer it to the GSA, which is the last place I would transfer anything, including people.

Have you determined the role that your office will play in implementation of the plan recently submitted to the Congress on national materials and minerals?

Dr. MERRIFIELD. I am not sure exactly——

Senator SCHMITT. The President's report is entitled "National Materials and Minerals Program Plan and Report to the Congress." That was required by section 5(a) of Public Law 96–479.

Dr. MERRIFIELD. I talked about this a little bit before.

Senator SCHMITT. What is your specific responsibility?

Dr. MERRIFIELD. Well, basically it is one of coordination and implementation of the policies that have been set out?

Senator SCHMITT. Of that plan?

Dr. MERRIFIELD. Of that plan.

Senator SCHMITT. You are the principal focus?

Dr. MERRIFIELD. Commerce has a lead role in this and I have been assigned that responsibility, yes, sir.

Senator SCHMITT. With respect to that, do you think that uranium should be included as a strategic material? It tends to be handled separately.

Dr. MERRIFIELD. I think that all materials are important to include in the scope of the analysis and study and implementation of these policies. I think it may be that other departments are more knowledgeable and should take the lead in those, but the coordination function is critical.

Senator SCHMITT. Well, the uranium industry has suffered a major downturn in the last 3 years, for reasons generally different from the problems in other mineral industries having to do with the absence of the implementation of a national commercial nuclear power policy. One of the problems, however, is that there seems to be an increasing level of imports of uranium at the same time that that strategic industry is in fairly serious trouble in this Nation.

How do you feel about import levels? Do you think that there ought to be unrestricted free trade, or where we have a strategic material should we have any barriers or limitations whatsoever?

Dr. MERRIFIELD. These are all options that need to be considered and depending upon the multiple sourcing of these materials and what the risk involved in emergency situations would be, I think that there at least have to be emergency plans to cope with each situation, particularly if the risk distribution is great.

Senator SCHMITT. How do you implement emergency plans if the mines are filled up with water or they are closed and no mills are operating? I mean, there is no emergency plan there.

Dr. MERRIFIELD. That is true.

Senator SCHMITT. And you do not have U.S. bottoms to carry the raw materials to our ports.

Dr. MERRIFIELD. This is one of the policy decisions that needs to be made. At least what I can do would be to supply the facts and the sets of options including the pros and cons, and precipitate the discussions that would be necessary.

Senator SCHMITT. One of the factors right now is if the purchaser of uranium for commercial purposes chooses to do so, they can import 80 percent under present law, I believe—80 percent of the uranium that they need. Right now they are probably importing 10 percent, but as uranium becomes cheaper and other costs force consideration of imports of that material, then obviously the bottom line decision is probably going to be to go to the cheaper sources of uranium.

If it continues, we will not have a significant mining industry for uranium in this country. Do you think that is a good, safe position to be in?

Dr. MERRIFIELD. Again, I am not sure that it is, and I am not sure that it is not, in the sense that there are other alternate systems for doing it. For example, the phosphate deposits have uranium in them and at one point I was doing all the number crunching on the extraction of uranium from phosphate residues. There are rather significant sources and options here that need to be explored in terms of that sourcing.

Senator SCHMITT. Well, while you are exploring it, then, the industry is going down.

Dr. MERRIFIELD. That is a good point.

Senator SCHMITT. There are more uranium miners out of work in New Mexico than there are at work, and we supply over 50 percent of the uranium produced in this country. There is a major mine or mill closure about every month now in New Mexico, or a termination of development efforts—practically no exploration going on.

Now there are many aspects of this problem, but the bottom line is that we are very rapidly losing our capacity to produce uranium in this country.

Dr. MERRIFIELD. I agree with you that it is a sensitive issue that needs to be vigorously looked at.

Senator SCHMITT. Copper is another problem. It is one of the strategic materials for which we have a significant and known resource base. We have a productive capacity that was, up until recent weeks or months, capable of significant surge production in national emergency. But again, for a variety of reasons, some of

them related to the recession and probably some of them also related to underpricing by foreign suppliers, that industry is going belly-up also.

I hope your office can begin to deal with those problems. Not only are we not supporting development of strategic minerals industries in this country where we have a resource base, but even where that industry exists we are doing very little, if anything, to see that it continues to exist.

Dr. MERRIFIELD. That is a good point. There are many factors involved here too. The impact of satellite and fiberoptic communications systems is impacting the copper business and will continue to do so. On the other hand, there are strategic areas, obviously, where copper is an essential material. It would be important, particularly with the subsidies foreign governments provide for many of their basic industries of this sort, to be able to remain competitive.

Senator SCHMITT. Well, we still have pretty much of a heads-in-the-clouds attitude toward free trade in this country, and I am a free trader with the best of them. But free trade cannot be a one-way street and I think that is one of the major challenges your office faces. We have very, very bad trade agreements now relative to the interests of the United States.

As an example, the Japanese can trade essentially freely in our markets. We cannot trade freely in theirs. The European Common Market has just exacerbated our trade situation. The same goes for the way that the less developed countries that are resource rich deal with their export of strategic resources. You never know from 1 month to the next what the price of cobalt is going to be and it is literally impossible in those free-market conditions for a cobalt industry to develop in this country, even though there are three or four favorable locations for significant cobalt production.

I am afraid that unless our allies are going to be willing to enter into a true free trading arrangement with this country, we are going to have to discard it as a basis of international trade at least selected commodities. I do not think we are going to have a choice. If nothing else, our agricultural industry is going to be destroyed by a variety of reasons, one of which we cannot tap the export market.

Dr. MERRIFIELD. This has been an Achilles heel that we have had in the sense that we have been free trade as far as imports go, but have been restricted in some areas for export.

Senator SCHMITT. Have you looked at the Multilateral Trade Treaty that was negotiated and ratified, 2 or 3 years ago?

Dr. MERRIFIELD. I have not.

Senator SCHMITT. I would strongly suggest that you do that and at some point in the future I hope this committee can have a chance to question you on your impressions. My impression—and I know the impressions of many of my colleagues—is that that was one of the worst treaties ever negotiated by this country, particularly with respect to agriculture.

There is some feeling that those negotiations ought to be reopened with a strong sense of playing hardball with our friends and with the ultimate goal of having a strong and free world trade

community, one that is strong enough to avoid dependence on trade with the Soviet Union, with their satellite and proxy nations.

If we do not get into such an arrangement, then I see no way to force the Soviets to divert resources from their military-industrial complex into taking care of their people. While they build weapons, we take care of their people. That isn't good.

OK. Do you intend to be the focus for the reestablishment of the Committee on Materials [COMAT] as called for in the plan?

Dr. MERRIFIELD. Yes, that is part of my responsibility.

Senator SCHMITT. That committee will report to you?

Dr. MERRIFIELD. That is a responsibility.

Senator SCHMITT. When would you expect to be able to name the members of that committee?

Dr. MERRIFIELD. I am not sure.

Senator SCHMITT. Would you supply that information for the record? I think it would be very important to do so and I do not recall whether the plan calls out the specific makeup of that committee. We would be interested in knowing the types of people you anticipate selecting, how many, and generally the activities you will call upon it to perform would be.

[The following information was subsequently received for the record:]

The Office of Strategic Resources is now working with the White House Office of Science and Technology Policy (OSTP) on reestablishing the Committee on Materials (COMAT). In the past, this committee has reported directly to OSTP, and we have not decided on the best organizational approach at present. COMAT will consist of Assistant Secretary-level representation from all departments and agencies concerned with minerals and materials, and I will represent the Department of Commerce. COMAT will focus and coordinate Government research and development in the minerals and materials area, relate such R&D to national goals, and stimulate constructive coordination between industry and Government on materials research and innovation.

Senator SCHMITT. The Office of Productivity, Technology, and Innovation has responsibility for improving productivity, technological development, and innovation in the private sector. That office also administers the Department of Commerce responsibilities under the Stevenson-Wydler Technology Innovation Act. Are you familiar with Stevenson-Wydler?

Dr. MERRIFIELD. Yes.

Senator SCHMITT. How do you see the responsibilities of OPTI under that act being carried out in your administration?

Dr. MERRIFIELD. With the resources that I have available my intention is to focus primarily on putting together in the private sector these cooperative R. & D. consortia that would fund themselves but for which I would operate as a sort of a broker or a catalyst to put them together, to help them to define their strategic plan and to implement it.

Senator SCHMITT. My guess is that you are not going to be able to do that without legislation.

Dr. MERRIFIELD. That is an interesting point—you mean without the antitrust legislation?

Senator SCHMITT. I would be interested to hear very quickly what your feelings are about that.

Dr. MERRIFIELD. Well, I would be very much interested in working with you on that.

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Senator SCHMITT. That may be very difficult to do.

Dr. MERRIFIELD. It may be, and that is a critical thing. That is right.

Senator SCHMITT. Have you had an opportunity to study S. 1657 and its related bills in the House? That is the patent policy bill, the Uniform Science and Technology Research and Development Act.

Dr. MERRIFIELD. Yes. I am very much in favor of that. It is a very excellent bill.

Senator SCHMITT. Can you define what responsibilities your office may have if that act becomes a law—roughly—in its present form?

Dr. MERRIFIELD. Yes. Through the NTIS and our business analysis group and the cooperative R. & D. functions, what I would like to do is to effect a much more active process of analyzing and putting together patent portfolios that would become the intellectual property of these new R. & D. groups.

I think that the technology transfer process could be much improved and be much more effective if implemented. It would be a very important objective.

Senator SCHMITT. How do you envision your relationship with the Patent and Trademark Office?

Dr. MERRIFIELD. It does not report to me, as you know, but I certainly have worked closely with them and intend to coordinate whatever I can in terms of their activities and things that we will be doing.

Senator SCHMITT. Do you expect that the oversight and coordination functions which are established under S. 1657 would be delegated to your office?

Dr. MERRIFIELD. I understand that I will have the lead for that coordination, that is correct.

Senator SCHMITT. Is it your understanding that the National Technical Information Service will be transferred to your office?

Dr. MERRIFIELD. Yes.

Senator SCHMITT. Do you expect that operation to become self-supporting?

Dr. MERRIFIELD. I do indeed, and I think it would be much more active and effective than it probably has been as it integrates into these other operations.

Senator SCHMITT. Would you anticipate it eventually being spun off into the private sector?

Dr. MERRIFIELD. That is an option, I think perhaps a little naive in the sense that in a competitive environment it does not really have the resources or the skills, probably, to survive. On the other hand, that is an opinion at this point.

Senator SCHMITT. Well, it is going to be a challenging job for you, Doctor. As you probably have gathered, this committee, particularly the Science, Technology, and Space Subcommittee, is very active in these matters. We are trying to exercise a role of oversight that may have been missing in the past. I should not be too critical because the former chairman of that subcommittee, Senator Adlai Stevenson, was very interested in these problems as well. We started this trend several years ago and will continue it.

Your office is going to be of great interest to us. I hope that you are able to make it productive and more than just a box on an organization chart.

Dr. MERRIFIELD. Thank you, Mr. Chairman. I am looking forward to working with you. A good idea does not care who has it, and neither do I, and I hope we will not stand on too much formality in terms of communication and sharing our thoughts and ideas and plans.

Thank you.

Senator SCHMITT. OK, sir. If there are no more questions, the hearing is adjourned and good luck to you, sir.

Dr. MERRIFIELD. Thank you.

[Whereupon, at 9:42 o'clock a.m., the committee adjourned.]

NOMINATIONS—DEPARTMENT OF COMMERCE

THURSDAY, MAY 27, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 9:25 a.m., in room 235, Russell Senate Office Building, Hon. Barry Goldwater, presiding.

Staff members assigned to this hearing: Anne Gavaghan, Staff Director and Lorettal Dunn, minority staff counsel.

OPENING STATEMENT BY SENATOR GOLDWATER

Senator GOLDWATER. The committee will come to order.

This morning the Commerce Committee is pleased to convene a hearing on the nomination of Guy Fiske to become Deputy Secretary of Commerce. Mr. Fiske has been nominated to succeed Joseph Wright. Mr. Fiske has been the Under Secretary of Energy.

Previously he was executive vice president and director of the General Dynamics Corp. in St. Louis from 1977 to 1981. From 1968 to 1977 he served with International Telephone & Telegraph in various executive positions. And from 1949 to 1968 Mr. Fiske was employed by General Electric in various marketing and managerial assignments.

Mr. Fiske, welcome. If you have an opening statement or any remarks prior to responding to questions, we would be very happy to hear from you.

STATEMENT OF GUY W. FISKE

Mr. FISKE. Well, first I would like to thank the committee for setting this meeting before the recess. I know it took extra effort on the part of the committee staff, and I appreciate that.

My background is entirely business, and I think the Commerce Department is certainly the right place for business people. I am looking forward to the assignment, working with Secretary Baldrige and with this committee.

Senator GOLDWATER. Well, thank you. I have a few questions from other members of the committee. I have none myself.

Mr. FISKE. Thank you.

[The biographical sketch follows:]

BIOGRAPHICAL SKETCH OF GUY W. FISKE

Address: 1323 Merrie Ridge Road, McLean, Va. 22101.
Date and place of birth: September 28, 1924, Upton, Mass.
Marital status: Married, E. Jacqueline Strachan.
Names and ages of children: JacquiLynne, 31; Melinda, 27; Melissa, 27.
Education: Brown University, attended: 1941–43 (Active military service: 1943–46); Degree granted, 1946; B.A., mathematics; General Electric Company General Management School, ITT Advanced Management and Financial Analysis Programs.

Employment record—1981 to present: Under Secretary, U.S. Department of Energy, Washington, D.C.

1977–81: Executive Vice President and Director, General Dynamics Corporation, St. Louis, Mo.; Also: Chairman, Asbestos Corporation Limited (54.6 percent owned by General Dynamics).

1968–77: International Telephone & Telegraph Corp., New York, N.Y.

1972–77: Corporate Vice President and Group Executive, Automotive Products Group—North America.

1969–72: Product Line Manager—Worldwide, Automotive Products.

1968–69: Product Line Manager—Worldwide Controls and Instruments, Electrical and Electronics Devices, Electronic Components and Plastics.

1950–68: General Electric Co.

1967–68: Manager, Specialty Equipment Operation and Computer Support Services; Information Systems Equipment Division, Phoenix, Ariz.

1964–67: Director—Marketing, Capacitor Department, Electronic Components Division, Hudson Falls, N.Y.

1962–64: Manager—Marketing, Electronics Speciality Components, Columbia, S.C.

1958–62: Regional Manager, Construction Materials Division, Boston, Mass. and New York, N.Y.

1949–58: Sales Engineering, Administration and Market Research assignments at various locations.

1947–49: Sales Agent, Felt and Terrant Division, Comptometer Company (subsequently acquired by other companies and now defunct).

Government experience: 1981–present, Under Secretary, U.S. Department of Energy, Washington, D.C.

Memberships: Metropolitan Club, New York, N.Y.; Port Royal Country Club, Hilton Head Island, S.C.

Political affiliations and activities: Republican.

Honors and awards. None.

Published writings: None.

QUESTION OF THE COMMITTEE AND THE ANSWER THERETO

Question. What will be the relationship of your office of Deputy Secretary and those of Deputy Secretary for Defense Programs and Deputy Secretary for Energy Research?

Answer. As Deputy Secretary, my responsibilities are to act for the Secretary in his absence and to perform such other functions as the Secretary may assign. This formulation governs my relationship to the existing program officials of the Department and it would also govern my relationship to the two program Deputy Secretary positions proposed by the Federal Energy Reorganization Act. Specifically, the proposed Deputy Secretaries would report directly to the Secretary in the same way that the existing top officials report to him. They would report to me as Deputy Secretary when I act for the Secretary in his absence. Any other relationship between me and the Deputy Secretaries proposed by the Federal Energy Reorganization Act of 1982 (FERA) depends upon assignments given to me by the Secretary. He has chosen to involve me broadly in all day-to-day management of the Department. Generally, I would expect these responsibilities to continue to be across-the-board in nature without distinction between the energy and defense programs as compared to other programs of the Department.

QUESTIONS OF SENATOR JACKSON AND THE ANSWERS THERETO

Question. Did you late last year in your capacity as Under Secretary of Energy review proposed draft legislative language pertaining to the establishment in law of a joint office in the DOE and in the Department of the Navy to codify the authorities and responsibilities then vested in Admiral Rickover?

Answer. Although I was aware that draft legislation attempting to codify the authorities and responsibilities vested in Admiral Rickover did exist within the DOE late last year, I did not, in my capacity as Under Secretary of Energy, review this proposed draft legislative language. Shelby Brewer, Assistant Secretary for Nuclear Energy, was instructed orally by me to keep all matters concerning this situation out of my office due to the potential that it could be perceived as a conflict of interest.

Question. Did you personally pass along or did you cause to be passed along to the General Dynamics Company or any other company a copy of draft legislation pertaining to the establishment of such an office? Did you contact or cause to be con-

tacted the General Dynamics Company or any other company to inform them of the fact that such legislative action was being contemplated by the Congress?

Answer. I did not personally pass along or cause to be passed along this proposed draft legislation to any company, nor did I cause any company to be contacted and informed of the existence of the proposed draft legislative language.

Question. Did you contact any Member of Congress or any Congressional staff personnel regarding the enactment of such legislation?

Answer. I did not contact any Member of Congress or Congressional staff personnel regarding this proposed legislation.

Question. Did you agree to divest yourself certain financial holdings as a precondition for nomination for and confirmation as Under Secretary of DOE? Have you in fact divested from those holdings? Were you not scheduled to have completed the divestiture by early April? Why have you not done so to date?

Answer. I did agree to divest myself of certain financial holdings as a precondition of my confirmation as Under Secretary of DOE. I have divested myself of those holdings. The Secretary of DOE, with the knowledge of the Committee, granted me a waiver providing specific times for divestiture with the completion date to be in early April. All but a relatively small holding of General Dynamics stock was divested by that time. However, before the completion date, the President nominated me to be Deputy Secretary of Commerce, a position that does not have the same legal requirement for divestiture of the General Dynamics stock as does the position of Under Secretary of DOE. For this reason, and on the advice of the DOE General Counsel, the Secretary of DOE granted me an additional waiver that postponed the completion date for 60 days, during which time the Senate could consider the President's nomination. Nevertheless, I subsequently decided to divest myself of the rest of the General Dynamics stock and did so during the week of May 28, in compliance with the requirement of the waiver and full knowledge of the DOE General Counsel. All actions pertaining to the matter were cleared with the DOE General Counsel in advance.

Senator GOLDWATER. Anybody who has ever been in Arizona for 1 day is qualified to take any position in government. Someone might question their sanity, but not their ability.

This committee, and particularly Senator Schmitt, have been greatly concerned about the ability of the United States to promote our national interests at international telecommunications conferences. Effective and efficient communications depend upon the continued availability of the radio spectrum and geostationary satellite orbits.

A study done at our request by the Congressional Office of Technology Assessment raised serious questions regarding the ability of the executive branch to formulate and implement policy at these international conferences. Just a couple of questions on that.

Do you agree with the present structural arrangements that divide authority between the Department of Commerce and the Department of State and the FCC?

Mr. FISKE. We have been looking at that. Just in the past couple of weeks I talked to Secretary Baldrige. We had one meeting with the State Department, and another meeting with the people who run the Cabinet councils. We have asked Ed Harper to look into it to see if the Executive order could be rewritten to clarify the roles of the State Department and the Department of Commerce, and to give the State Department their diplomatic role and the Commerce Department the technical role, so that we have the proper people with the knowledge, the technical knowledge. This is an extremely technical subject, and we have to have the best people who understand that situation at the meetings.

Senator GOLDWATER. Well, I am glad you have done that and I hope you pursue it because this is one of the most disturbing fac-

tors that we, who are interested in communications, have to put up with.

I remember the great concern that Herbert Hoover, Jr., had about this when we found every country opposing us but France. Now, that has been some time ago. This last conference, we did a little better. But the big weakness has been that we have just tended to send anybody to these conferences. The last time we had a few more technical people.

So if you are successful in getting this understanding, the next time we have that world conference, I would like to help you in any way I can.

Mr. FISKE. We appreciate that.

Senator GOLDWATER. Another question by Senator Schmitt. There is currently located within the National Bureau of Standards the Institute for Computer Sciences and Technology. I understand that the appropriate location for the Institute has been under discussion within the Department for a year now.

Do you think the Institute is going to be transferred to GSA?

Mr. FISKE. I have asked for a meeting with that group to satisfy myself as to what they are doing and what their role should be. There is some question as to whether they should be in either NBS or NTIA. I am not really sure because policy is one place and measurements are in the other, but I want to understand it myself first before I make any decision as to what should be recommended.

I would think the GSA role would be strictly in procurement, and that any standards or policy would fit into the Department of Commerce.

Senator GOLDWATER. I think NTIA is a good place for it too, but you are going to keep pushing on that?

Mr. FISKE. Yes, sir. I haven't satisfied myself yet that I understand it well enough to come up with a recommendation, but I have that on my agenda during the next week, to review, Senator.

Senator GOLDWATER. This comes, I believe, from Senator Pressler. Are you aware of the substantial impact that tourism has on our country?

Mr. FISKE. Yes, that has been explained to me. I was quite surprised to find it brings in as much revenue as it does. Having been a traveler myself, I only knew the other side of it.

Senator GOLDWATER. And do you feel that the President and Congress have been right in assuming that there's an appropriate role for the Federal Government in the promotion of tourism for our country?

Mr. FISKE. I am sure there is a Federal role, and I understand there is an Arthur D. Little study that was prepared some years ago, and I have asked Mr. White to give me a copy of that so I can find out what they said.

At this stage, I am not sure that I could explain what that role is, however. I need to intellectually pursue that further.

Senator GOLDWATER. I don't think I could explain it either. We have had some countries that I think send all their people over here as tourists every year.

I understand there have been efforts within the Department of Commerce to eliminate the National Technical Information Serv-

ices. Can the activities performed by this agency be performed by the private sector?

Mr. FISKE. We are studying the feasibility of that, and I cannot answer the question yet. However, we want to be sure it fulfills the role of the Government and that the cost would be lower if that should be done.

There is another factor to consider, too. If the Department of Energy were merged into Commerce, as is being planned, the Department of Energy also has a technical service, and the two together might very well make a difference. So when that happens, we should look at those together.

Senator GOLDWATER. As you know, the divestiture of A.T. & T. has caused quite a bit of political furor up here on the Hill. The attitude of the Senate has been that we don't want to do anything legislatively until we find out if it is needed. The House, understandably, where people are so close to election every 2 years, has already drafted a bill dealing with this issue.

Would you think that the Senate is right in holding off until we know more about it?

Mr. FISKE. I think, Senator, the administration position on that is not to request any comprehensive legislation until the consent decree is clear. So our position, I believe, would fit the Senate.

Senator GOLDWATER. And do you believe that some legislation might be required to insure the U.S. companies get equitable access to foreign markets for telecommunications service and equipment?

Mr. FISKE. I have some experience in the telecommunications business, and the foreign market is huge. I believe the American companies do need some help in this area. From my personal experience, I think it will take the best help we can get from our embassies, from the Commerce Department, the State Department, to compete against the Governments of France and Japan.

And many of these foreign ventures are really country ventures, not private ventures. That makes it very difficult for competition, including Western Electric. And I think the Egyptian situation is an example of that.

Senator GOLDWATER. As you know, foreign competition is really getting tough in this field, especially since the Supreme Court ruling on what you could tie onto your telephone line. Japan and Taiwan are making everything that Western Electric or General Electric ever made.

One more question here. As you know, having lived in the West, this subject is of great interest to us. We Westerners believe that the 750 million acres of public land should be open for more mineral exploration, not on a wide open basis but a selected basis. We are now dependent upon foreign sources for 63 percent of our strategic metals. We cannot make good stainless steel in this country because we cannot get the ingredients in this country and we find it extremely difficult to import the minerals we need.

Would you support the relaxing to some extent of the hold on Western lands so that we might explore for minerals, might explore for more oil and gas?

Mr. FISKE. Senator, I share your concerns in the strategic minerals area, and it is one where we really need to do more. I personally would agree with your statement. I am not sure what the admin-

istration's position is on that subject, but I do believe it agrees with your statement as well.

Senator GOLDWATER. I do not think the decision would rest more than a little bit with your influence, but when you get into this field, you get the entire East riled up about lands they do not know anything about. And once in a while, we need help.

I do not have any more questions. Does the staff have anything?

[No response.]

Senator GOLDWATER. Well, Mr. Fiske, it is a pleasure to have you here. I apologize that there aren't more members of the committee, but as you can hear from these bells and buzzers, we are busy on the floor doing nothing. When you are doing nothing, it takes a lot of people.

Well, I will terminate this hearing and we will poll the members, but I can assure you that you can take your job without any worry and your wife can go spend your new money.

So the meeting will stand adjourned and I congratulate you.

Mr. FISKE. Thank you, Senator.

[Whereupon, at 9:38 a.m., the committee was adjourned.]

NOMINATIONS—DEPARTMENT OF COMMERCE

THURSDAY, JULY 29, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 9:35 a.m., in room 235, Russell Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Staff members assigned to this hearing: Marguerite Ayers, professional staff member and Peyton L. Wynns, minority professional staff member.

The CHAIRMAN. The committee will come to order. I apologize. I hate to waste anybody's time and I am embarrassed when I am late.

We are here today for the nomination hearing of Dr. Robert Dederick for Under Secretary of Commerce for Economic Affairs. I am delighted to have Congressman Ed Derwinski here, who wants to make a few opening comments on behalf of the nominee. Ed.

STATEMENT OF HON. EDWARD J. DERWINSKI, U.S. REPRESENTATIVE FROM ILLINOIS

Mr. DERWINSKI. Thank you, Senator. It is a pleasure to introduce a constituent, a very respected and accomplished constituent. Dr. Robert Dederick has had an outstanding career. There is no need for me to go into it except to say that I feel that he meets all the qualifications, and it is a privilege and a pleasure for me to introduce him and recommend him to you.

The CHAIRMAN. As you know, Dr. Dederick's record is already well known to us in the position that he has and I am delighted to see that the Secretary realizes that and the administration has added new responsibilities to his role.

I will place his biographical sketch in the record at this point.

[The biographical sketch follows:]

BIOGRAPHICAL SKETCH OF DR. ROBERT G. DEDERICK

Address: 113 So. County Line Road, Hinsdale, Illinois 60521.
Date and place of birth: November 18, 1929, Keene, New Hampshire.
Marital status: Married to Margarida Noguera de Magalhaes.
Names and ages of children: Frederic—23, Laura—22, Peter—21.
Education: A.B., Harvard 1951, A.M., Harvard 1953, Ph. D, Harvard 1958, Cornell University, 1953–54.
Employment record: Teaching Fellow, Cornell University, Ithaca, N.Y., 1953–54; Teaching Fellow, Harvard University, Cambridge, Mass., 1954–57; Economic Research Manager, New England Mutual Life Insurance, Co., Boston, Massachusetts 1957–64; Lecturer, Boston University, 1961–64; Economist, The Northern Trust Company, 1964–70—Sr. Vice President, Chief Economist, The Northern Trust Company, 1970–May 1981, Chicago, Illinois; 5/5/81–8/2/81 Special Advisor to the Assistant Secretary for Economic Affairs; 8/3/81–6/15/82 Assistant Secretary for Economic Affairs; 6/16/82 to present Deputy Under Secretary for Economic Affairs.

Government experience: Member Economic Advisory Board, U.S. Department of Commerce, 1968–1970, 1975–1976; 5/5/81–8/2/81 Special Advisor to the Assistant Secretary for Economic Affairs; 8/3/81–6/15/82 Assistant Secretary for Economic Affairs; 6/16/82 to present Deputy Under Secretary for Economic Affairs.

Memberships: Member and Past President, National Association of Business Economists; Member and Past Secretary-Treasurer, Conference of Business Economists; Member, Finance Committee, American Economic Association; Member, Harvard Discussion Group of Industrial Economists; Member, AT&T Economic Luncheon Group; Member, The Harvard Graduate Society Council; Member, Associated Harvard Alumni Board of Directors; Member, Governing Board, National Economists Club; Past Member, Banking, Monetary and Fiscal Affairs Committee, Chamber of Commerce of the U.S.; Past Director, National Bureau of Economic Research; Past Member, Board of Directors, Chicago Association of Commerce and Industry; Past Member, Economic Advisory Committee, American Bankers Association.

Political affiliations and activities: Annual contributor ($300), Good Government Committee, The Northern Trust Company.

Honors and awards: Phi Beta Kappa; Fellow, National Association of Business Economists.

The CHAIRMAN. Doctor, any comments before I ask a few questions?

STATEMENT OF DR. ROBERT DEDERICK

Dr. DEDERICK. Yes, sir, if I may.

First of all, I want to express my appreciation to Congressman Derwinski, my Congressman, I am pleased to add, for his kind remarks, and also for his many kindnesses over the past year.

With your permission I would like to make a very brief opening statement.

Soon after he took over the reins of the Department of Commerce 18 months ago, Secretary Baldridge decided that he wanted to strengthen the Department's capabilities in the field of domestic economic analysis, and to expand its involvement in domestic economic policymaking. To these ends, he merged the domestic economic and policy functions of Commerce, added new responsibilities to the domestic economic side of the Department, created what we now call the economic affairs area, and a bit later, forwarded to Congress a request to place the enlarged set of responsibilities under the authority of an Under Secretary for Economic Affairs. And with the support of you, Mr. Chairman, and this committee, the new position now has been established.

For the record, let me list the major activities that will report to the Under Secretary for Economic Affairs. As it is now constituted, Economic Affairs includes three main operating bureaus: the Bureau of the Census, the Bureau of Economic Analysis, and the Bureau of Industrial Economics. In addition, Economic Affairs includes the Office of the Chief Economist, the Office of Automotive Industry Affairs, and the Office of the Assistant Secretary for Productivity, Technology and Innovation, which itself encompasses the Office of Strategic Resources, the Office of Competitive Assessment, the Office of Productivity, Technology, and Innovation, and the National Technical Information Service.

For fiscal 1982, appropriations for all the components of Economic Affairs totaled $175 million, and at the end of fiscal 1982 the permanent staff for all components of Economic Affairs will total approximately 4,500 employees.

That concludes my statement, Mr. Chairman, and I will be pleased to respond to your questions.

The CHAIRMAN. Doctor, as you are aware, this committee, in addition to a variety of jurisdictions, does have jurisdiction over tourism. And I know a decision has been made earlier this year to eliminate the National Travel Survey and the Monthly Selected Services Receipts Report. Both of these are of concern to several members of this committee who could not be here this morning.

Is there any chance that these surveys will be restored or that substitute data collection programs will be implemented?

Dr. DEDERICK. Senator, we have no plans to reinstate either the National Travel Survey or the Monthly Selected Services Receipts Survey as Census Bureau programs. However, the U.S. Travel Data Center has requested a cost estimate to reinstate on a reimbursable basis the monthly report for certain of the service industries that were covered in that survey.

The CHAIRMAN. Reimbursable by whom? By the service industries?

Dr. DEDERICK. By the Travel Data Center, as I understand it. Now if the cost is acceptable, we are going to resume providing estimates for some of the tourism-related components that we formerly were collecting. That would include data on something like hotels, motels, and the like.

The elimination of the National Travel Survey, I might point out, resulted in part from the decision by the Department of Transportation to discontinue cofunding for it, and we were left then with inadequate resources on our own to do it.

The CHAIRMAN. One of the complaints we have had from the service sector of the economy, and it is now almost three-quarters of our Nation's economic activity, is that the current quality of statistical data leaves much to be desired. I do not know if the complaint is valid. They use it more than I do.

Historically, we have had extraordinary data on the manufacturing part of our economy, not quite so much on the service economy. Can the Commerce Department take any steps to correct this?

Dr. DEDERICK. Well, we have taken some. We began with the 1977 economic census, where there was some more detail provided, and with the 1982 economic census we are going to try to do more in the way of getting detailed information; for instance, covering the computer area, which has been heretofore lumped in with others; and some other breakdowns of that sort. So we are doing, within the limits of the funds, what we can do in the way of greater detail.

At the same time, I have to point out, though, that the monthly survey which we conducted has been dropped, and we do not intend to reinstate that, other than perhaps on a reimbursable basis for the portions I already mentioned.

The CHAIRMAN. All right. Let me ask you about some other data, then. One of the traditional problems with any Government data, and we certainly turn out enough of it, is that it is not compiled, printed, distributed, organized in a timely fashion or manner so that it is relatively usable. And as you are well aware, having spent many years in the private sector, this does reduce the use of the data for the business community and others.

Do you have any steps to improve this situation?

Dr. DEDERICK. Well, I first should point out, Senator, that I do think that our monthly data are extremely timely. We are very proud of that, when it comes to monthly economic data and our quarterly GNP estimates. But I would at the same time agree that some of our data from the censuses in particular comes out with a considerable lag, and that is a fact.

Well, we are trying to do something about that. We have acquired data processing equipment which we think will speed up the release of the data from the 1982 census. We have also introduced some programs to give users greater advance information about what is coming out and to help them learn about it sooner so that they can get it sooner.

When I was in private business, one of my main problems was I did not learn about some information, that it was available, until long after the fact.

The CHAIRMAN. You are well aware of the complaints of the paperwork burden on Government. You had it before you were here. I am sure you have received it since you have been here. And this administration has made a point of trying to reduce this paperwork burden, and I think with some degree of success, particularly on small businesses.

Have you taken any action, or do you have any plans to reduce the paperwork burden associated with the 5-year economic census?

Dr. DEDERICK. Yes, we do, sir. Basically we are going to shorten some of the questionnaires for some of the smaller businesses and we intend to make greater use of administrative records than has been the case in the past. And we think by having forms tailored to some industries, we can reduce the amount of questions that they are asked. And the Census Bureau believes that we will be able to reduce the respondent burden by 10 percent as a result of that.

Then we are going to try to give special assistance to respondents. It is not just the mass of paper they get. Sometimes they have difficulty knowing what to do with it. So we are going to set up a hotline, for instance, to help them in that respect.

The CHAIRMAN. Doctor, last question. As you know, Congress recently made legislative changes in the due dates for the inward and the outward benchmark surveys of direct investment. The reason the Commerce Department requested this change was to enable a sharing of the economic information by the Census Bureau and the BEA, the Bureau of Economic Analysis.

Have any steps been taken to formalize the sharing of such data by Census and BEA? And similarly, are any of the other data collection agencies under your jurisdiction making efforts to eliminate duplication?

Dr. DEDERICK. Yes, we have done something, to answer the first part of your question. The census legislation does not permit the census to share its data with any other agency, but the BEA legislation does permit a sharing with the census and it intends to do so. So we will be able to publish in aggregate form—not of course on a company basis—for matched groups of enterprises, both financial information, which would come from the BEA, and the establishment-related information that would come from the Census Bureau. So that is how we are going to respond to that.

When it comes to the other areas of duplication, we really feel that little exists. Under my supervision we have the three bureaus I mentioned earlier, and the two that are the primary data collection ones are the BEA and the census, and they work very closely together. I take no credit for that. They did before I came and they continue to now.

BEA and Census are constantly looking out for duplication, and the OMB also has a watchdog role in that respect.

The CHAIRMAN. Doctor, I have no other questions. Let me say that it is a delight to have you advance to this position and I compliment you on the work that you have done since your previous confirmation. You are the kind of person that government is lucky to have.

Dr. DEDERICK. Thank you very much, sir.

The CHAIRMAN. Ed, you are lucky to have him as a constituent.

Mr. DERWINSKI. And I thank you, Mr. Chairman, for the relatively painless manner in which you have conducted this hearing.

The CHAIRMAN. Thank you very much. We are adjourned.

[Whereupon, at 9:45 a.m., the committee was adjourned.]

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